

USE OF NONAPPROPRIATED FUNDS BY
EXECUTIVE AGENCIES

(Bonn-Bad Godesberg Area Construction Program)

ELEVENTH INTERMEDIATE REPORT
OF THE
COMMITTEE ON GOVERNMENT
OPERATIONS



MARCH 24, 1954.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed, with an illustration

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
Washington, D. C., March 24, 1954.

Hon. JOSEPH W. MARTIN, JR.,
Speaker of the House of Representatives,
Washington, D. C.

DEAR MR. SPEAKER: By direction of the Committee on Government Operations, I submit herewith the eleventh intermediate report of the committee.

CLARE E. HOFFMAN, *Chairman.*

III

Union Calendar No. 526

83D CONGRESS 2d Session	}	HOUSE OF REPRESENTATIVES	}	REPORT No. 1387
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USE OF NONAPPROPRIATED FUNDS BY EXECUTIVE AGENCIES

(Bonn-Bad Godesberg Area Construction Program)

MARCH 24, 1954.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed, with an illustration

Mr. HOFFMAN of Michigan, from the Committee on Government Operations, submitted the following

ELEVENTH INTERMEDIATE REPORT

SUBMITTED BY THE SUBCOMMITTEE ON
INTERNATIONAL OPERATIONS

On March 17, 1954, the Committee on Government Operations had before it for consideration the report of its Subcommittee on the Use of Nonappropriated Funds by Executive Agencies (Bonn-Bad Godesberg area construction program).

After full consideration of the report as submitted by the subcommittee, upon motion made and seconded, the report was unanimously approved and adopted as the report of the full committee. The chairman was directed to transmit a copy to the Speaker of the House.

SUMMARY

This report covers the findings of the International Operations Subcommittee in its inquiry into the construction of housing for American personnel at Plittersdorf (Bad Godesberg) Germany, at a cost of the Deutschemmark equivalent of \$16 million. This construction was part of a \$28 million United States building project in the Bonn-Bad Godesberg area of Germany undertaken in 1951 by the Office of the High Commissioner of Germany (HICOG) in connection with the move of the HICOG Headquarters from Frankfurt to the German capital at Bonn.

PRINCIPAL QUESTIONS

The principal questions with which the subcommittee concerned itself were:

1. To what extent was it necessary to provide housing for American personnel in the Bonn-Bad Godesberg area?

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2. Did HICOG have the legal authority to undertake this construction and to finance it using Government and Relief in Occupied Areas (GARIOA) counterpart funds?

3. Should the Department of State have sought and obtained specific congressional approval before proceeding with this project?

4. Was value received for the moneys spent?

5. Was the scale of the United States apartment project justified?

6. Did the Department of State exercise sufficient control over the project?

CONCLUSIONS

1. The provision of some housing accommodations for American personnel in the Bonn-Bad Godesberg area was necessary, but it is clear that an amount of building excessive to United States needs was undertaken. It is expected that 20 percent of the United States apartment units will be vacated by United States personnel by January 1, 1955.

2. It is extremely doubtful whether, under existing legislation, HICOG had the legal authority to undertake this construction using funds from the GARIOA account.

3. The Department of State should have requested specific congressional approval for the project and should not have resorted to a strained interpretation of existing legislation to justify its proceeding with the project without specific congressional approval.

4. The cost of the housing project appears to have been exorbitant.

5. The apartment units of the United States housing project were constructed and furnished on a scale considerably beyond that necessary and adequate to the needs of American personnel.

6. The Department of State did not exercise sufficient supervisory control over the project.

RECOMMENDATIONS

1. The Department of State should require that any construction carried out under its auspices abroad be under the direct and complete supervision and control of the Office for Foreign Buildings Operations.

2. Future overseas housing construction by the Department of State should conform, as far as practicable, to the design standards which have been established recently by the Bureau of the Budget for the construction of permanent family housing for Federal personnel.

3. The Congress should keep a careful check upon the compliance by executive agencies with section 1415 of Public Law 547, 82d Congress, Supplemental Appropriation Act, 1953 (effective June 30, 1953), which provides that foreign credits owed to or owned by the United States Treasury cannot be spent by executive agencies unless provision has been made for such expenditure in appropriation acts. Moreover, Congress should be prepared to enact supplementary legislation in the event the language of section 1415 is not effective in bringing under congressional scrutiny all United States Government expenditures of foreign currencies.

INTRODUCTORY STATEMENT

NONAPPROPRIATED FUNDS

The International Operations Subcommittee is charged with the responsibility of investigating and reporting upon expenditures and activities of United States agencies operating overseas. Generally speaking, these agencies have had available for their overseas use two distinct types of funds: (1) dollar funds that have been appropriated by the Congress, and (2) foreign credits on currencies owed to or owned by the United States.

The subcommittee believes that executive agencies operating overseas have tended to regard the latter funds as some sort of stage money expendable with less restraint and economy than appropriated dollars. This premise is, of course, fallacious. Foreign currencies represent purchasing power in foreign countries in exactly the same way that dollars represent purchasing power in this country. The fact that they are not readily convertible into United States dollars should not lead our representatives abroad into the delusion that they can be squandered, misappropriated or abandoned without harm to the effective implementation of our foreign policy. In recent years the Congress, in the process of providing foreign aid, relaxed its traditional control over expenditures by executive agencies at their request. This was done in the name of granting flexibility to executive agencies to meet exigencies. Especially was this true with regard to the uses made of foreign currencies which until recently could be spent for the most part without specific justification to the Congress in advance.

The Congress has now reasserted control over foreign currency and credits through section 1415 of Public Law 547, 82d Congress, effective June 30, 1953, known as the Supplemental Appropriation Act, 1953, which reads:

Foreign credits owed to or owned by the United States Treasury will not be available for expenditure by agencies of the United States after June 30, 1953, except as may be provided for annually in appropriation Acts and provisions for the utilization of such credits for purposes authorized by law are hereby authorized to be included in general appropriation Acts.

This statute in effect calls for full disclosure to the Bureau of the Budget and the Congress of the uses to be made of foreign currencies. It should have a wholesome restraining effect on the use of these funds. Had this provision been in force in 1951 the investigation on which this report is based might not have been necessary. The Bad-Godesberg housing project, however, was undertaken prior to that time. It is a striking example of the use of nonappropriated funds in the absence of congressional control.

ACKNOWLEDGMENTS

The subcommittee held hearings on March 19, 20, 23, and 24. Testimony was received from the following witnesses:

John E. Murphy, Comptroller for the Office of the Director of Mutual Security.
Manlio F. De Angelis, Deputy Director, Budget Division, Mutual Security Agency.
Peter Kenneth Morse, Office of the General Counsel, Mutual Security Agency.

Glenn G. Wolfe, Executive Director, Office of the United States High Commissioner for Germany.¹

William L. Ellis, Chief of Office of Investigations, General Accounting Office.

J. Edward Welch, Assistant General Counsel, Office of Investigations, General Accounting Office.

Leland W. King, Director of Foreign Buildings Operations, Department of State.²

James W. Riddleberger, Director of the Bureau of German Affairs, Department of State.³

Frank K. Hefner, Executive Director, Bureau of German Affairs, Department of State.

S. Houston Lay, Assistant to the General Counsel, Office of the High Commissioner.

S. P. Haycock, Attorney, Office of the General Counsel, General Accounting Office.

Edward J. Kerrigan, Deputy Director of Foreign Buildings Operations, Department of State.

The subcommittee wishes particularly to record the contribution of Lindsay C. Warren, Comptroller General, whose Office of Investigations rendered invaluable assistance to the subcommittee in its work.

BACKGROUND OF THE BONN-BAD GODESBERG PROJECT ⁴

The position of the United States High Commissioner for Germany (HICOG) was established by Executive Order No. 10062, dated June 6, 1949. Mr. John J. McCloy, the Presidential designee, assumed that position in September 21, 1949. On the latter date, the military government of the United States Zone of Germany transferred its civil authority to the United States High Commissioner.

HICOG headquarters was originally at Frankfurt, Germany, in the United States Zone, at a time when that city was also the site of the West German capital.

On November 3, 1949, about 6 weeks after the HICOG Headquarters was established at Frankfurt, the Federal Republic of Germany decided to move the German capital to Bonn. The move was accomplished gradually over the next several months. In view of this development, HICOG in February 1950, considered the desirability of also moving its headquarters to Bonn. A committee of HICOG officials appointed to study the matter reviewed the political, administrative, and financial problems involved and recommended that the United States Headquarters remain at Frankfurt and that a proposed housing project for employees in Frankfurt be started immediately. The committee's recommendations were followed. The question of a move to Bonn was reopened by HICOG in October and November of 1950 before the construction at Frankfurt was completed and in December it was decided not only to move the headquarters but also to construct housing and office accommodations in the Bonn-Bad Godesberg area. Construction began in February 1951 and was substantially completed by November of that year.

¹ Mr. Wolfe is no longer assigned to HICOG but is under transfer to another post.

² Mr. King has resigned from the Department of State.

³ Mr. Riddleberger is presently Ambassador to Yugoslavia.

⁴ For a more detailed résumé of the sequence of events see the chronology attached to this report as appendix A.

The project when completed included the following: An office building, 2 apartment developments for German personnel, a 458-unit apartment development for American personnel, 6 houses for the use of the High Commissioner and 5 other top-ranking officials and in addition a church, 2 schools, a shopping center, a theater, and a recreation center. The total cost of the whole project was the deutschemmark equivalent of approximately \$28 million. The cost of the American housing project was the deutschemmark equivalent of approximately \$16 million.

The source of the deutschemmark was the so-called GARIOA special account. The name "GARIOA" is derived from the popular title of Public Law 327, 81st Congress (63 Stat. 711) 1949, which appropriated dollars for "Government and Relief in Occupied Areas." The GARIOA program was administered by the Department of the Army. Under this program, aid goods, purchased with American dollars, were sold to the German people for deutschemmarks. The Army required that for each dollar's worth of such economic aid supplied, an equivalent amount of deutschemmarks be deposited in the GARIOA special account. These deutschemmarks were called counterpart funds and the GARIOA special account became known as the counterpart fund. The deutschemmarks in the account were used for the economic rehabilitation of Germany.

When the United States High Commissioner assumed responsibility for the occupation the GARIOA special account was taken over by HICOG. In the meantime the Economic Cooperation Administration began furnishing economic assistance to Germany. The Economic Cooperation Act of 1948, as amended, also provided that recipient countries receiving aid on a grant basis also establish local counterpart funds. Ninety-five percent of the moneys in these funds were to be used for economic rehabilitation purposes and 5 percent were to be used for the administrative needs of ECA and other United States purposes. With regard to Germany, however, the act provided that such additional amounts of counterpart could be used by the High Commissioner to pay for the operations of his office as might be agreed upon by the Secretary of State and the Administrator of ECA. It was ultimately agreed that 25 percent of the German counterpart fund would be used by HICOG.⁵ As these deutschemmarks became available they were placed under HICOG control by depositing them in the special account used for GARIOA counterpart. Beginning therefore in December of 1949, although the GARIOA special account was continued, the principal deposits made were from counterpart generated by ECA aid. There was, of course, a small amount of counterpart eventually deposited in the account as a result of aid still in the pipeline at the time of transfer of the account to HICOG.

Was it necessary to provide housing for American personnel in the Bonn-Bad Godesberg area?

It is clear that it was necessary for HICOG to provide housing and other facilities for the use of some of the HICOG personnel in the Bonn-Bad Godesberg area. Further, it probably was also necessary to either purchase or construct housing inasmuch as housing accommodations were limited and the High Commissioner had decided as

⁵ For a graphic picture of how counterpart funds are generated see the chart attached to this report as appendix B. This chart was prepared by the Mutual Security Agency. The procedure indicated, however, is followed by its successor agency, the Foreign Operations Administration.

a matter of policy not to requisition any further homes in Germany for American use.

The question at issue however is: Was it necessary to transfer the bulk of HICOG's American and German employees and their dependents to Bonn-Bad Godesberg and to erect a complete United States Government development? The answer to this question is not an easy one. For the purpose of impartial analysis it will be well to review in some detail the developments which led to the decision by the High Commissioner and the Department of State to move the majority of HICOG personnel to Bonn and to construct large-scale accommodations. As indicated previously, on November 29, 1949, the German Government decided to locate its capital in Bonn. On February 28, 1950, a committee appointed to study the question of whether HICOG should also move its office in whole or in part to Bonn, in a memorandum reviewed the political, administrative, and financial implications involved. The memorandum read in part as follows:

1. At the present time, the United States High Commissioner's Office has established at Bonn a permanent secretariat composed of approximately 39 persons.
2. The Deputy High Commissioner is at present in residence at Bonn and under present tentative plans will have an organization of 101 persons supporting him (including secretariat).
3. The Director of the Office of Economic Affairs (Mr. Hanes) has recently recommended that an additional 60 to 100 members of the Office of Economic Affairs be transferred permanently to Bonn at the time that the Federal Ministries of Economics and Finance shift their headquarters from Frankfurt to Bonn (estimated July 1, 1950).
4. At the present time, approximately 40 members of HICOG in Frankfurt make weekly trips to Bonn. In terms of key personnel, this breaks down as follows:

High Commissioner and immediate office.....	4
Office directors.....	6
Deputy office directors.....	4
Division chiefs.....	11
Deputy division chiefs, branch chiefs, and all others.....	15

- The average stay per person is less than 1 day per week.
5. The number of quarters available to the United States in Bonn at the present is 133, of which 59 are occupied or assigned. Quarters are being completed and assigned almost as rapidly as personnel assignment. As of February 22 there are 7 employees awaiting quarters assignment, and these will be assigned by February 28.
 6. The capacity of the existing headquarters, Mehlemer Aue, is 110. The existing strength of HICOG is approximately 871 in Frankfurt and Bad Nauheim. It is estimated that German personnel essential to the operation of HICOG number about 1,500 in Frankfurt.
 7. The 3 Allies agreed in July 1949 that each national element at Bonn would be limited to 300 persons. Any number in excess of this figure, presumably, must be approved tripartitely.
 8. HICOG is about to construct a 500-unit housing project in the Frankfurt area. The ground for the project has been procured, the specifications for construction have been published and bids have been received. At the moment, no contract has been awarded, but failure to award contract within 10 days will result in complete rebidding and a 30-day delay. The estimated cost of this project is 30 million deutschemarks.

The committee then pointed out that it was undeniable that such a move would be extremely helpful to those functions of HICOG particularly the ECA phases which involved frequent and necessary contact with Allied and German counterparts at Bonn. Significantly, however, the committee also said:

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10. On the other hand, the philosophy of the Occupation Statute dictates a diminishing of controls and a withdrawal by the Commission from interference with the German Government. As long as one is physically located close to the German Government, the tendency will be to maintain participation in German affairs. It should also be considered whether it is advisable to move the United States headquarters completely out of the United States Zone. If any of the factors mentioned above are of sufficient weight singly or in combination to make it inadvisable to move the entire headquarters to Bonn, then the decision should be taken to maintain the headquarters at Frankfurt, to proceed with the HICOG housing project, and to establish the necessary working groups at Bonn under the Deputy High Commissioner.

It then went on to analyze the financial and administrative problems involved if the decision were taken to move to Bonn. The committee concluded as follows:

- (a) On balance it is politically more desirable, administratively more feasible and cheaper to keep a United States Headquarters in the United States Zone.
- (b) If the United States High Commissioner moves to Bonn with a small staff of advisers there will be an ever-increasing pressure to move more and more people to Bonn.
- (c) The move of the group mentioned in (b) would not cut down appreciably the number of persons traveling between Bonn and Frankfurt; it would merely shift the burden of travel to others.
- (d) The establishment of the Deputy High Commissioner and his staff [presently in Bonn], augmented by an additional complement for Economic Affairs and the General Counsel's office, is the best all-round solution.

Finally the committee recommended that:

- (a) Existing plans be carried out as presently approved.
- (b) Economic Affairs and the General Counsel's office submit absolute minimum requirements for the additional complement mentioned above.
- (c) The housing project in Frankfurt be started immediately.

The High Commissioner followed this recommendation and decided to keep the major portion of HICOG personnel at Frankfurt. Construction was started at Frankfurt on a 420-unit apartment project for American employees which was completed on October 2, 1950.

A few weeks after the completion of the Frankfurt housing construction, in a memorandum to Mr. McCloy dated October 27, 1950, Mr. Glenn G. Wolfe, Executive Director for HICOG stated that—

the legal, executive, administrative, psychological, and internal political reasons for deferring the decision to move made in February have been mitigated by events of the past 8 months.

In passing, the subcommittee does not understand Mr. Wolfe's use of the word "deferring." As far as was brought out in the testimony received or in official documents examined, the action taken in February 1950 was not one of deferring a decision to move. Rather it was a definite choice of the alternative course, that is, to keep the headquarters at Frankfurt, to send a small group to Bonn, and to build housing at Frankfurt for the American personnel.

Mr. Wolfe stated that some of the reasons against moving referred to in the February 28 memorandum no longer existed, but he did not set forth positive reasons for making a wholesale transfer of personnel to Bonn. He did state that recent information from the Department of State indicated that the Bureau of German Affairs and other interested groups favored a transfer of HICOG to the Bonn area.

He did note further that the cost would be high, but indicated that the fact that the Army had a pressing need for apartment and office space at Frankfurt "would tend to exclude the possible criticism of duplicate spending." He also noted, however, that inasmuch as

extensive recruiting in the Bonn area would be impossible it would be necessary to make arrangements at Bonn to house German personnel brought from other areas.

The question was again discussed on November 8 at a meeting of top-level HICOG officials attended by Mr. McCloy. According to a HICOG memorandum of November 14 Mr. McCloy reserved his decision to give the matter further study. Finally, Mr. McCloy consulted with representatives of the German Government and the opposition party and received assurances that the Bonn capital would not be moved for at least 5 years. By cable dated November 21, 1950, HICOG advised the Department of State that the move was being favorably considered and on December 1, 1950, the Department gave approval to the proposal.

During the hearings the subcommittee endeavored to determine precisely why it was necessary to move the bulk of HICOG personnel to Bonn. There was testimony that in view of the outbreak of the Korean war and the possibility of a third world war top-level intensive negotiations on the part of the Western Allies and Germany were needed to hasten the end of the occupation and assist Germany in rearming. The subcommittee has no disagreement with this position. It can well understand that it might have been necessary for Mr. McCloy and a top-level staff to be at Bonn on a full-time basis. A situation somewhat similar exists in Korea today where the Ambassador and a small staff are in Seoul, the capital city, and the remainder of the staff is in Pusan. Although this situation introduces some difficulties the subcommittee understands that it has not placed serious obstacles in the way of effective operations.

In the case of HICOG there is no doubt either that a divided staff introduced some difficulties. Nevertheless, HICOG was able to work under these conditions from September 1949 to November 1951, and the testimony furnished did not convince the subcommittee that our political and other relations with the German Government had been made ineffective by these conditions.

Moreover, while it is true that the Frankfurt apartments today are being used principally by the Army, this fact affords no separate justification for the Bonn project.

In this regard it should be noted, as pointed out in the addendum of this report, that at least 25 units in the American housing unit at Bad Godesberg have already been declared in excess of United States needs and it is expected that more than 20 percent of them will not be needed as of January 1, 1955.

Although testimony was received⁶ indicating it had been anticipated by HICOG that there would be excess units, the subcommittee questions the advisability of the United States Government undertaking a housing project for ultimate rental or sale to foreign nationals.

⁶ Mr. WOLFE. I am as certain as I am sitting here that the U. S. Government will get back every dollar put into that American housing project. I do not expect all 458 apartments will be used by American personnel when we come to the Embassy. However, people had to live in the interim, and that number was required for the interim operation.

At the same time, as of today, as I think I mentioned yesterday, we are besieged with requests of Germans and of the diplomatic corps to either rent or sell to them some of these apartments, and already we have made arrangements that the first apartments we have vacant will be rented and the money received will be returned to the U. S. Government, either to reduce the operating expenses of the project, or it will go into miscellaneous receipts, whichever the Congress decides to do.

Mrs. ST. GEORGE. As of today I do not see any ground for expecting that to go on forever. I can foresee when this whole installation will be just a shell.

Mr. WOLFE. If the capital of Germany moves to Berlin, I see no difficulty whatsoever in disposing of this project, and I might say this is one of our thoughts. Suppose 5 years from now we do move to Berlin. How best to protect ourselves? Take the title in the U. S. Government, and if you move to Berlin dispose of the project and have funds available to construct, or whatever is necessary, in Berlin.

The subcommittee feels that some alternative could have been found preferable to this tremendous and costly undertaking until the German and European situations generally had been clarified and the extent of our future operations in Germany more accurately predicted.

It concludes that while some housing for American personnel in the Bonn-Bad Godesberg area was necessary it is clear that an excessive amount of building was undertaken.

Did HICOG have the legal authority to undertake any of this construction?

A major question at issue in this matter is whether HICOG was justified under legislation existing at the time to proceed with this construction project.

The purchase of land and the construction of public buildings by United States Government agencies has been historically circumscribed by legislation designed to subject such activities to rigorous control by the Congress. For example, section 3736 of the Revised Statutes (41 U. S. C. 14) prohibits the purchase of land for the account of the United States except under a law authorizing such purchase, and section 3734 (40 U. S. C. 259) provides that no money shall be paid for the purchase of any site for a public building in excess of the amount specifically appropriated therefor. Further, the Foreign Service Buildings Act of 1926 (22 U. S. C. 292), as amended, has been the legislative vehicle empowering the Secretary of State to acquire sites and buildings in foreign countries for use of the diplomatic and consular establishments of the United States, either alone or jointly with other agencies of the United States. Further, the Congress, beginning with the appropriation act of July 25, 1946 (60 Stat. 666 C. 643) has recognized the necessity of utilizing foreign credits owned by or owed to the United States and has each year provided appropriations to be used under the authority of the Foreign Service Buildings Act, as amended, to cover the expenditure of such foreign credits for projects specifically identified by the executive branch and specifically authorized by the Congress.

The Bonn-Bad Godesberg project, however, originally was undertaken with reliance placed not upon the Foreign Service Buildings Act as such, but upon general broad language found in Public Law 759, 81st Congress, the General Appropriation Act, 1951. Chapter XI, title III, of this act (64 Stat. 761) appropriated \$27 million for expenses—

* * * necessary to meet the responsibilities and obligations of the United States in connection with the government, occupation, and control of occupied areas of Germany * * *

The act also reads:

Provided further, That the Department of State is authorized to utilize for carrying out the purposes of this appropriation, including unforeseen contingencies, without dollar reimbursement from this or any other appropriation * * * currencies otherwise deposited in Germany by the Federal Republic of Germany and which become available for use of the Government of the United States, its representatives or agencies in Germany, in such quantities and under such terms and conditions as may be determined by the Secretary of State after consultation with the Administrator for Economic Cooperation.

This section of the act covered currencies in the GARIOA special account.

The High Commissioner's Office in proceeding with the construction project apparently relied on an opinion of Mr. S. Houston Lay,

Assistant to the General Counsel, HICOG, as set forth in a memorandum to Mr. Glenn G. Wolfe, Executive Director of HICOG. Mr. T. S. Hannaman, Chief of the Legal Advice Section for HICOG, concurred in the opinion. While the memorandum was dated December 6, 1950, 5 days after the Department of State had given approval to the project, there was testimony that Mr. Wolfe and Mr. Lay had discussed the question of legal authority for some time before that.

In this memorandum Mr. Lay stated that—

the question of availability of the counterpart funds for the purposes indicated is novel and no exact precedent is known.

Then, relying solely on the broad language of Public Law 759 he concluded:

In this instance we have express statutory authorization to utilize the counterpart funds specified in the appropriation language for carrying out the purposes of the appropriation which purposes are, as above noted * * * the government, occupation, and control of occupied areas of Germany.

This one opinion which frankly stated that the question was novel and that no exact precedent was known appears to have been the sole basis on which HICOG justified its authority for undertaking the construction project.

Under the circumstances the subcommittee is at a loss to understand why, on the one hand, HICOG did not seek the concurrence of the Department of State in regard to the legal issues involved, nor can it understand, on the other hand, why the Department of State which had ultimate responsibility for this project failed to secure a formal legal opinion from its legal division in Washington when it was asked by HICOG to give approval to the project. Questioned on this point Mr. Lay testified:

I have searched very diligently in the Department records to determine if a formal written opinion on the question was sought, and I have not found any record of it. I had assumed that there was and there may have been, but I cannot locate any record of such a study having been made, that is, in the Department.

Legal counsel for the Department when the situation was under investigation took the position that it relied on the first proviso of Public Law 759 which states that provisions of other laws applicable to the Department of State shall be available for application to expenditures made from moneys appropriated under Public Law 759 and that therefore the expenditure of GARIOA funds was also legally justifiable under the authority of the Foreign Service Buildings Act. The subcommittee is of the opinion that this is an illogical and strained interpretation of the first proviso of Public Law 759. In a separate section of Public Law 759 Congress for the fiscal year 1950-51 had appropriated \$6,500,000 for the worldwide foreign buildings operations of the Department of State. To be consistent the Department would have to say that in addition to the GARIOA counterpart funds it could have used, as well, the \$27 million appropriated by the act for the use of the Department of State in Germany. In any case, it is clear from the record, that the original justification was based on the broad wording of Public Law 759 alone. Mr. Lay in his memorandum of December 6, 1950, after expressing the opinion that the broad language of Public Law 759 was adequate authority made a specific point of this by stating:

This authority would appear to be separate and distinct from the authority contained in the Foreign Service Buildings Act of 1926, as amended * * *.

In view of the broad language of title III of Public Law 759 the question becomes one of interpretation of what Congress meant when the act was passed. Nowhere in the act is specific authorization given to the Department of State to spend either dollars or deutschmarks for a construction project of this nature. Some light is shed on the matter, however, by Senate report No. 1371 of the Committee on Foreign Relations on Senate bill 3304, which was a bill to amend the Economic Cooperation Act of 1948, as amended, and to authorize funds for the fiscal year 1950-51. One section of the report put in clear focus the intention of the Congress concerning the specific purposes for which GARIOA funds were to be used. It reads as follows:

Section 105 (b) of S. 3304, contains two provisions that are extremely important to the full protection of American interests in Germany. The first provision gives the President authority to use ECA funds allocated for assistance to Germany "to meet the responsibilities * * * of the United States in connection with the rehabilitation of occupied areas in Germany" including action essential "to prevent starvation, disease, or unrest * * *." *This means in fact that if an emergency arises (for example, one comparable to the blockade of Berlin), the President can divert ECA dollars to meet it.*

The second important provision of section 105 authorizes the Secretary of State and the Administrator to agree upon the amounts of counterpart which the German Federal Republic will deposit in the GARIOA special account. This is the natural complementary provision to that described above. *It enables this Government to use deutschmarks deposited as counterpart to meet "reorientation" expenses in Germany and any emergency such as that described above when local currency rather than dollars can be used.*

The United States as one of the occupying powers needs maximum latitude in dealing with situations which may arise in Germany. The President has had such latitude in the past under appropriations of funds for use by our military government and the provisions contained in this bill will continue that authority during the period of civilian administration. The very fact that the United States would be able to move quickly and decisively to meet contingencies which might arise may in and of itself serve to prevent the contingencies from arising. The committee expects, of course, that if any diversion of ECA funds or counterpart funds is made, there will be a full and complete accounting of such activities. [Emphasis supplied.]

Witnesses for HICOG and the Department of State were asked accordingly whether in their judgment the construction of an American development in the Bonn-Bad Godesberg area was an emergency comparable to the blockade of Berlin. Mr. Lay said that it certainly had not been a comparable emergency. Mr. Wolfe regarded it as a political emergency. The subcommittee believes it was not an emergency at all and that the considerations which demanded immediate action by the executive agencies involved to meet the Berlin blockade do not apply to the move to Bonn.

It is not the intention of the subcommittee in this report to debate or attempt to settle the legal issues involved. Suffice it to say that the General Accounting Office represented by Mr. Welsh, Assistant General Counsel, seriously questioned the legality of using GARIOA funds without a specific appropriation for such a purpose and concluded by stating:

In my opinion, however, I think it is safe to say that had the matter been submitted to the Comptroller General in advance the decision would have been that the proposed expenditures were of too great magnitude and too doubtful validity to authorize in the absence of specific congressional approval.

The subcommittee concluded that at best it is doubtful whether, under existing legislation, HICOG had the legal authority to undertake this construction using funds from the GARIOA account.

Should the Department of State have sought and obtained specific congressional approval before proceeding with the project?

The subcommittee was unable to understand why the Department of State did not seek the prior approval of Congress or at least the opinion of the Comptroller General before proceeding with the project. As Mr. Welsh further testified:

* * * I would like to point out that HICOG's own legal staff recognized, prior to the commencement of the project that the question of availability of the counterpart funds for the project was novel and without exact precedent, and that ordinarily when this situation exists with respect to proposed expenditures of the magnitude here involved it is considered by administrative officers in the executive branch of the Government as requiring either presentation to the Congress or to the Comptroller General.

Witnesses for HICOG and the Department of State gave two principal reasons for not doing so, viz, they thought they had legal authority as indicated above and the necessity of moving quickly would have made it impossible to take the time to go through the usual procedures of getting the approval of the Bureau of the Budget and the Congress.

This second reason however appears to be contradicted by a memorandum by Mr. Wolfe dated November 14, 1950, to Mr. McCloy, the United States High Commissioner, summarizing the meeting of HICOG officials on November 8, 1950, at which the proposed move was discussed. In this memorandum Mr. Wolfe's views were quoted as follows:

* * * Mr. Wolfe pointed out the total worldwide FBO budget this year was only \$2½ million and that he doubted whether an approach to Congress for additional funds for building at Bonn would be favorably considered.

Mr. Wolfe in testimony disclaimed this statement as being in error and explained that the memorandum had been prepared and distributed by his deputy without his signature during his absence from Frankfurt. This, however, was apparently the only statement in error in the memorandum. Mr. Wolfe contended that his actual position at the November 8 meeting had been that the move to Bonn was so urgent there would have been insufficient time to secure congressional approbation. The memorandum, however, was not corrected for the record and was later printed unchanged in a published booklet issued by HICOG under Mr. Wolfe's direction along with other documents reviewing the entire construction project.

The subcommittee was not impressed by the contention that the move was so urgent that there would not have been time for the Department of State to seek a deficiency appropriation under the Foreign Service Buildings Act or approval under Public Law 759. Nor was the subcommittee impressed by the argument which was advanced during the hearings that the project could have been financed as a charge against occupation costs without criticism. Something more than merely a choice of method of finance is involved here. This situation must be viewed in the wider perspective of the balance of power between Congress and executive agencies. Congressional control of such agencies through enabling and appropriating legislation is of crucial importance in maintaining that balance. Whether dollars or foreign currencies are involved, the free expenditure of funds

by operating agencies without consultation with (and if Mr. Wolfe's memorandum of November 14, 1950, is taken at face value, in avoidance of) Congress can lead only to the gradual destruction of that balance of power. The subcommittee concluded that the Department of State should have sought and obtained specific congressional approval before proceeding with the project.

Was value received for the moneys spent?

Having dealt with the question of the need for so expansive an undertaking, some comments about the relative cost of this project are in order. This was an expensive project costing the deutschemark equivalent of approximately \$28 million. The cost of the land alone was the deutschemark equivalent of \$1,110,600 which meant that the 137.6 acres provided for the project averaged more than \$8,000 per acre. The housing development for American personnel cost approximately the equivalent of \$16 million. This included the High Commissioner's residence, five houses for top-ranking United States officials, the apartment buildings for Americans and miscellaneous buildings in the apartment area.

The High Commissioner's residence cost the equivalent of \$240,000 to purchase, rehabilitate, and furnish. The High Commissioner has heavy official and social responsibilities which demand some latitude in the selection of his home and the subcommittee offers no criticism in this regard. These considerations do not apply, however, in the same degree to the residences of the other five officials. By titles these officials are:

- The Deputy High Commissioner, HICOG
- The Executive Director, HICOG
- The Chief of the MSA Special Mission to Germany
- The Director of the Office of Political Affairs, HICOG
- The Assistant High Commissioner, HICOG

The total cost of the residences for these officials including land acquisition, was the equivalent of \$760,000. The least expensive cost the equivalent of approximately \$115,000 and the most expensive \$227,000. All of the houses were provided with furniture specially imported from England using GARIOA funds to the extent of deutschemark equivalent of \$126,000 for the purchase of the necessary foreign exchange. The unfortunate fact of the matter, however, is that these residences as actually constructed fall far short of what might be expected for the amounts of money spent on them. A careful examination of the plans and photographs of the houses, supplemented by an on-the-spot inspection by two members of the subcommittee, fails to reveal how the United States received commensurate value for the more than three-quarters of a million dollars' worth of deutschemarks which were expended on these five residences.

The principal focus of the subcommittee's attention, however, was on the 458 apartment units provided for all other American personnel at the cost of the equivalent of \$21,000 per unit for construction plus \$5,000 per unit for furnishings. These unit costs were high. In this regard, reference should be made to findings of the Special Subcommittee of the Committee on Government Operations investigating the German consulate-America house program. Information concerning

unit costs in the United States was reported as follows in House Report No. 168 dated March 17, 1953:

At the request of the subcommittee, the Division of Housing Research of the Housing and Home Finance Agency analyzed the plans for these apartment buildings and compared their costs and designs with apartment buildings recently erected in the Washington area and other regions of the United States. The Director of the Division of Housing Research testified that three modern air-conditioned apartment buildings in Washington were recently built at an apartment unit cost of \$9,400 to \$9,800. These apartments range in rental from \$115 for a 1-bedroom apartment to \$200 for a 3-bedroom apartment.

The unit costs of almost 100 apartment buildings erected in the Washington metropolitan area since the end of World War II were also analyzed by the Division of Housing Research.

It was found that the cost per apartment ranged from \$7,200 to a maximum of \$10,000.

At the request of the Bureau of the Budget, the Division of Housing Research recently made a study of housing-design standards for construction of housing by Federal agencies for civilian and military personnel. These standards will be used by the Bureau of the Budget as a guide to the minimum and maximum space requirements in houses and apartments constructed by such agencies of the Government as the Army, Navy, and Public Health Service for their employees within the continental United States. The maximum cost recommended for apartments by the Division of Housing Research is \$10,700.

All of the furnishings for the apartments for American personnel were manufactured in West Germany. The \$5,000 average cost provided for the most complete furnishings available. Each 4-bedroom apartment, for example, in addition to the usual appointments, was provided with 2 flower boxes, 1 wall clock, 1 meat hammer, one 9 inch ham slicer (carving knife), two 8 inch ham slicers; a dozen each of water, beer, champagne, cocktail, liqueur, white wine, red wine, and sweet wine glasses.

In the face of the foregoing facts, it is difficult to avoid the conclusion that with the exception of the residence for the High Commissioner the housing built for occupancy by American personnel was constructed and furnished with a notable disregard for price considerations.

Now that the project is completed and the funds have been spent the question, of course, is whether we will suffer any further losses. That is difficult to answer at this time and was even more difficult in 1950. Bonn is historically a small university town. The Bonn-Bad Godesberg project will remain a sound investment only as long as the West German capital remains at Bonn. The value of this construction may decrease tremendously if the seat of government should be moved elsewhere. In view of its proximity to Cologne, there is, of course, the possibility that the housing construction could be sold for use by Germans having their business in Cologne. The subcommittee was advised, as has been indicated previously, that Mr. McCloy had received assurances from the German party in power and from the opposition party that the capital would not be retransferred for at least 5 years. There was also testimony that as long as the capital is in Bonn any apartments vacated through a decrease in American personnel could be rented to representatives of other nations. In the meantime HICOG estimated that based on staffing figures as of December 22, 1952, there would be an annual net saving of some \$650,000 a year in quarters and other allowances for American personnel. Only time will tell whether the cost of the project will be balanced by these expected savings. As has been pointed out earlier,

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however, some apartments are already being declared in excess of United States needs. Even though it may eventually be possible to recoup some of the money expended on this project, the subcommittee concludes that its cost was exorbitant.

Was the scale of the project justified?

Leaving aside the fact that the land acquired for this project totaled 137.6 acres and that the 5 residences referred to earlier were each allotted over an acre of ground, there appear to be ample reasons for questioning the generous scale on which this project was conceived and executed. The subcommittee's attention in this regard was drawn specifically to the size of the individual apartments provided in the multiple-dwelling units for American personnel. Bachelor 1-bedroom apartments range from a low of 670 square feet to a high of 1,073 square feet. Family 2-bedroom apartments range from 1,328 square feet to 1,340 square feet; 3-bedroom apartments from 1,560 square feet to 1,643 square feet; and 4-bedroom apartments from 2,360 square feet to 2,400.3 square feet. A comparison of these figures with figures evolved by the Housing and Home Finance Agency and issued by the Bureau of the Budget on June 22, 1953, under the title "Design standards for construction of permanent family housing for Federal personnel" affords a sharp illustration of the generous scale of the HICOG construction.

Minimum and maximum floor areas per apartment dwelling unit

[Square foot net areas]

	Number of bedrooms							
	1 bedroom		2 bedroom		3 bedroom		4 bedroom	
	Mini- mum	Maxi- mum	Mini- mum	Maxi- mum	Mini- mum	Maxi- mum	Mini- mum	Maxi- mum
Bureau of Budget standards.	535	650	685	825	875	975	1,070	1,150.0
HICOG construction Amer- ican housing.....	670	1,073	1,328	1,340	1,560	1,643	2,360	2,400.3

It is clear from the above tabulation that for each category of unit the smallest HICOG apartment is larger than the maximum set forth by the standards issued by the Bureau of the Budget. In the case of the four-bedroom apartment figures, the smallest constructed by HICOG is more than twice the size of the maximum allowable under these standards. In addition, a disproportionate amount of space was devoted to stairways, halls, maids rooms, and other similar areas. In summary, the apartment units provided for American personnel were large in comparison not only with the units provided for German personnel but also with apartment construction in the United States. The standards, as set forth by the Bureau of the Budget document, were prepared in—

an attempt to outline certain minimum and maximum basic planning principles below which permanent housing should not be constructed, and above which Federal funds need not be invested to provide adequate housing.

It further indicates that although intended for family housing within the continental United States the standards should also be applied

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wherever practicable to construction outside the United States. In the interests of fairness, it must be pointed out that the design standards referred to above were not available in their present form at the time the HICOG construction was undertaken. Nor were there, prior to the issuance of this document, any overall standards for construction of housing developments for Federal employees in the United States and abroad. Nevertheless, they give a graphic indication of the extensive scale which characterized the HICOG construction.

HICOG and State Department officials attempted to justify the scale of the apartment construction and the completeness of the furnishings on the grounds that (a) all employees down to the lowest paid clerk need adequate housing for entertainment purposes as part of their representative function and (b) better than average quarters are an important factor in attracting and holding good United States personnel. An additional argument made in justification of the furnishings was that all breakage must be paid for by the occupants. While these arguments may have some merit in abstract terms, the subcommittee is not convinced that in this case they are of sufficient weight to make the scale of this project defensible.

There was general agreement, moreover, among HICOG and Department of State witnesses that in this project the basic minimums in terms of economy, space and furnishings had not been observed.

An important aspect of this matter is the effect a program of this kind would have on American relations with the Germans. HICOG and State Department officials strongly denied that the compound-type housing development with its faultless and complete accouterments created any resentment among the German people. Articles appearing in German newspapers and some statements of German officials were produced, praising the project. Further, there was testimony that many of the recreational facilities and some shops are available under certain conditions to German citizens. On the other hand, considerable information to the contrary was obtained by the subcommittee from German sources.

The subcommittee was unable to conduct a poll of the situation. It feels, however, that an extravagant project could have the adverse effect of creating a certain degree of hostility in some segments of a foreign populace particularly where the mass of the people have been living in abject circumstances for many years. Certainly the advantages of a democracy can be portrayed without undue ostentation. Fortunately, as indicated in the addendum to this report this compound living will be somewhat relieved shortly when German personnel occupy some of the apartments at Bad Godesberg. The subcommittee concluded that the housing project (with the High Commissioner's residence excluded from consideration) was constructed and furnished on a scale considerably beyond the necessary and adequate needs of American personnel.

Did the State Department exercise sufficient control over the project?

The autonomous nature of the HICOG move to Bonn is emphasized by the fact that little or no effort was made to secure the advice and guidance of the Foreign Buildings Operations of the Department of

State which was organized to exercise supervision over foreign construction projects of the Department. To handle its responsibilities, the FBO maintains in Washington and abroad some 80 technical administrative employees and in addition secures, when necessary, the services of private professional architects and engineers. The reason for the existence of FBO is to insure coordination of effect as to architectural and engineering standards; budgetary, accounting and statutory controls, and space criteria in the interest of economy and efficiency.

There is evidence that Mr. Frederick Larkin, former head of the FBO, was in the Frankfurt-Bonn area from October 22 through October 28, 1950, in connection with the long range consular building program. Incidental to that visit Mr. Larkin consulted with HICOG officials concerning the proposed move to Bonn and apparently did look at prospective sites. As far as could be determined, this represented the full extent of FBO's active participation in the project. It was not called upon to approve specific engineering plans in advance and did not supervise the construction. In a cable sent from HICOG to the State Department dated November 21, 1950, requesting the Department's approval, the policy issues involved as well as a summary of construction proposed were discussed, but no request was made for FBO help. In its responding cable approving the general plan dated December 1, 1950, no mention was made by the Department of State of FBO participation. By cable of December 21, 1950, HICOG advised the Department of State it would proceed with plans to acquire needed property in the Bonn area and would forward detailed data after the sales had been consummated, together with plans and contracts for housing and related projects as concluded. By a later cable of December 22, concurred in by FBO, the State Department authorized HICOG only to negotiate for purchase of sites for residence properties and other construction. It requested that firm offers and estimates be first submitted for Department consideration. No other written record was located clarifying this confusion as to the extent of HICOG's authority to independently proceed with the project.

Mr. Leland W. King, testifying as Director of the Foreign Buildings Operations Office, said that it was his understanding that all operations of HICOG had been decentralized to a point where the FBO was excluded from this construction project. No documentary evidence other than the cables referred to above were produced indicating why FBO was not utilized to supervise the project, but there is no question but that HICOG with the Department's approval did go ahead with the project without the active assistance or control of FBO.

While it is now impossible to say with accuracy what differences in type of construction and cost would have resulted if FBO had actively participated in the project, it is the feeling of the subcommittee that some savings in deutschemarks and in size would have resulted. There is no question that in principle a project of such magnitude should have been subject to the usual controls of the office experienced, staffed, and normally responsible for such operations.

CONCLUDING STATEMENT

In connection with its examination of the use of GARIOA funds to finance this project, the subcommittee sought to determine whether the language of section 1415 of Public Law 547, referred to heretofore, is sufficiently inclusive to be applicable to the expenditure of GARIOA funds for United States-owned projects as distinguished from projects for the primary benefit of the German economy. As indicated, section 1415 calls for full disclosure to the Congress of the uses to be made of "foreign credits owed to or owned by the United States Treasury." GARIOA funds while under the control of the United States High Commissioner are initially deposited in the name of the Federal Republic of Germany. The chairman, however, received the following letter of reassurance on this issue from J. E. Murphy, Comptroller, Office of the Director for Mutual Security:

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF THE DIRECTOR FOR MUTUAL SECURITY,
Washington 25, D. C., July 11, 1953.

The Honorable CHARLES B. BROWNSON,
House Government Operations Committee,
House of Representatives.

MY DEAR MR. BROWNSON: Your staff has consulted me as to the desirability of amending section 1415 of the Supplemental Appropriation Act of 1953 (Public Law 547, 82d Cong., 2d sess.) in such manner as to make its provisions applicable to the GARIOA special account. As I understand it, the purpose intended was to prevent a recurrence of the use of the deutschmarks in the account for United States Government purposes, as distinct from the purposes beneficial to the German economy, without payment for the deutschmarks being made from appropriated funds. This is to confirm my verbal advice to the effect that such an amendment is unnecessary for the purpose intended.

Before any of the deutschmarks in the GARIOA special account could be used for United States Government purposes, they must first be transferred to an account of a United States disbursing officer. Automatically upon such transfer, they would become subject to the provisions of section 1415 of the above act, and in the absence of a specific legislative exemption from the provisions of that section, they could not be used by any agency of the United States Government without a corresponding deposit of appropriated dollars into miscellaneous receipts of the United States Treasury.

Under the circumstances, it seems that the objective of the committee has been met without the need for further legislation.

Sincerely yours,

J. E. MURPHY, Comptroller.

Further, the subcommittee was also informed by Mr. Murphy by subsequent letter of July 14, 1953, that in the future GARIOA funds will be available solely "for projects of benefit to the Germany economy and the city of Berlin."

The subcommittee hopes that this project in the Bonn-Bad Goesberg area is not typical of the ways and methods by which United States owned foreign currencies have been or are being expended by the executive branch in other parts of the world. It is confident that through the application of section 1415 of Public Law 547, Congress is now in a position to examine better the uses to which such moneys will be put. As a matter of record Congress during the 1st session of the 83d Congress did apply the restrictions of section 1415 of Public Law 547 through Public Law 207 which among other things made supplemental appropriation for the fiscal year ending June 30, 1954. Section 1313 of Public Law 207 reads in part as follows:

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Sec. 1313. Pursuant to section 1415 of the Act of July 15, 1952 (66 Stat. 662), foreign credits (including currencies) owed to or owned by the United States may be used by Federal agencies for any purpose for which appropriations are made for the current fiscal year (including the carrying out of Acts requiring or authorizing the use of such credits), only when reimbursement therefor is made to the Treasury from the applicable appropriations of the agency concerned.

The Congress should follow closely the degree of compliance by the executive branch with the provisions of section 1415 of Public Law 547 and supplemental legislation such as section 313 of Public Law 207. The subcommittee intends to continue its inquiry into such expenditures in other areas. Only through such congressional interest will appropriate curbs be placed upon activities such as those to which this report has been devoted.

ADDENDUM

There has been a recent development concerning the Bonn-Bad Godesberg housing project which the subcommittee feels should be mentioned in this report. Reductions planned in the personnel complement of the High Commissioner's Office in Germany will result, over a period of time in a surplus of apartment units in the Bad Godesberg housing project for American personnel. At the same time there is a shortage of housing for United States personnel stationed elsewhere in Germany. This latter need, according to the Department of State's plans, was to have been filled partly by new construction in the various locations where the shortage existed. With the prospective development of excess housing in Bad Godesberg, however, and particularly in view of the fact that the Federal Republic of Germany is faced with a housing shortage for its personnel located in the Bonn area, an agreement has been negotiated with the Federal Republic of Germany whereby German personnel will occupy certain of the surplus units in the United States apartment buildings in return for which the German Government will supply, either in existing buildings or through new construction undertaken at its expense, a comparable amount of housing for United States personnel in certain of those areas of Germany where additional United States construction had been planned.

A copy of this agreement, signed by the United States and the Federal Republic of Germany on December 31, 1953, will be included with the report of this subcommittee's review of the new construction planned by the Department of State in Germany which will be specifically affected by this new arrangement. (See the forthcoming intermediate report of the Government Operations Committee, concerning the German Consulate-America House Program.)

In its application to the Bonn project, the agreement provides, in brief, that the exchange will be on a dwelling unit for dwelling unit basis. Ownership of the dwellings will remain in the parties providing the respective units who will continue to be responsible for their operation and maintenance. Twenty-five units will be exchanged within 30 days after the date of the agreement. Twenty-five will be exchanged as soon as possible thereafter and the balance of 50 units will be exchanged on or before January 1, 1955. Units offered must receive the approval of the receiving party.

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The agreement is not rigid and provides that the total number of dwelling units will be equated as of January 1, 1955, in the event either party finds it impossible to make available to the other the intended 100 units by that date. Further, it insures that apartment units will be made available to the German Government only as they are vacated by American personnel.

The agreement runs for a term of 5 years beginning January 1, 1954, and ending December 31, 1958, and is renewable for a further period to be agreed on if the parties agree in writing to such a renewal prior to its expiration. It is also agreed that in the event of the removal of the Capital of Germany from Bonn or in the event that the United States decides to dispose of the apartment project, either party may terminate the agreement upon giving notice to the other at least 6 months in advance.

Although the subcommittee has not had the opportunity to study this contract exhaustively, on the basis of information presently available the arrangement appears to be in the best interests of the United States at this time on the following grounds:

1. From the standpoint of economy, preliminary estimates by the Department of State anticipate a net saving of the deutschemark equivalent of slightly in excess of \$1 million chiefly as a result of lessened need for new construction.

2. From the standpoint of procedure and control, the Office of Foreign Buildings Operations of the Department of State was directly consulted and will exercise overall supervision and control of the execution of the agreement. Moreover, the entire detail of the plan was presented to the General Accounting Office for comment before the agreement was signed.

3. Finally, from the standpoint of United States relations with the German people, the subcommittee notes with approval that an effort is being made to make the Bonn project less of an American compound by distributing the units to be made available for German occupancy throughout the project. This avoidance of a "German section" and an "American section" should provide for easier and more cordial association of Americans and Germans and is, the subcommittee feels, a commendable step.

ADDITIONAL VIEWS OF CLARE E. HOFFMAN

A Special Subcommittee on German Consulate-America House Program was appointed by me, as chairman of the Committee on Government Operations, on February 9, 1953.¹

The purpose of that special subcommittee was to develop information on the housing program being constructed under the auspices of the State Department in Germany, with a view to determining its necessity, propriety, and whether its curtailment was in order.

Hon. William E. Miller was appointed chairman of that special subcommittee, and Hon. Charles B. Brownson, chairman of the subcommittee submitting the instant report, was one of the members.

The special subcommittee held hearings on February 17, 1953, and submitted a report.² Mr. Brownson attended that hearing and participated in the questioning of the witnesses whose testimony disclosed the "plush" aspects of the State Department housing program in Germany.

The hearings held by the Brownson subcommittee disclose little, either as to facts, conclusions, or recommendations, that was not told, referred to, and recommended by the Miller subcommittee, except as the Brownson subcommittee went into other situations; that is, the construction of buildings in other locations.

Apparently the only difference in the instant report and the Miller subcommittee report is in the time and place of the subject matter, as both reports deal with the same class of wasteful, luxurious construction of the housing program. The conclusions and recommendations are the same—that Government housing in Germany for our State Department employees is "plush."

The special subcommittee which I appointed—a prerogative now denied me as chairman³—produced the same results a year ago.

The Miller report recommended:

It is the recommendation of the subcommittee that all future construction programs be subjected to the normal procedure of review in detail by the Bureau of the Budget and by the Congress whether the program is financed with non-appropriated funds or local currencies.⁴

The instant report of the Brownson subcommittee recommends:

1. The Department of State should require that any construction carried out under its auspices abroad be under the direct and complete supervision and control of the Office for Foreign Buildings Operations.

2. Future overseas housing construction by the Department of State should conform, as far as practicable, to the design standards which have been established recently by the Bureau of the Budget for the construction of permanent family housing for Federal personnel.

3. The Congress should keep a careful check upon the compliance by executive agencies with section 1415 of Public Law 547, 82d Congress, Supplemental

¹ Legislative Calendar, Committee on Government Operations, rule 3.

² H. Rept. No. 168, 83d Cong., 1st sess.

³ Legislative Calendar, Committee on Government Operations, p. 8, resolution of July 15, 1953.

⁴ H. Rept. No. 168, 83d Cong., 1st sess., p. 7.

Appropriation Act, 1953 (effective June 30, 1953), which provides that foreign credits owed to or owned by the United States Treasury cannot be spent by executive agencies unless provision has been made for such expenditure in appropriation acts. Moreover, Congress should be prepared to enact supplementary legislation in the event the language of section 1415 is not effective in bringing under congressional scrutiny all United States Government expenditures of foreign currencies.⁵

Just how many, if any, additional investigations will be required by congressional committees before the situation is corrected seems still to be uncertain. The writer is of the opinion that as beneficial a result could have been obtained, without the additional expense, if the situation was forcefully called to the attention of the responsible individuals in the Department of State.

⁵ Report, p. 2.

APPENDIXES

APPENDIX A

THE BONN-BAD GODESBERG AREA CONSTRUCTION PROGRAM

CHRONOLOGY OF EVENTS

November 3, 1949: Bundestag voted that Bonn would be the capital of the Federal Republic.

February 28, 1950: A special committee recommended to United States High Commissioner John J. McCloy that existing plans for housing construction at Frankfurt be carried out and that no further consideration be given at that time to moving HICOG to Bonn.

October 2, 1950: 420 furnished housing units were completed at Frankfurt and families began to move into the project.

October 27, 1950: Mr. Glenn G. Wolfe, executive director, HICOG, by memorandum suggested that the reasons which deferred the decision to move to Bonn in February 1950 should be reconsidered in the light of intervening political and other events.

October 22-28, 1950: Mr. Frederick Larkin, then Chief of the Foreign Building Operations, Department of State, in connection with other business, held discussions with officials of HICOG on the proposed Bonn move.

October 28, 1950: Mr. Larkin advised the Department of the proposed move by cable stating it was expected that construction and furniture costs would be borne by other than FBO funds.

November 8, 1950: Meeting of Mr. McCloy and other HICOG officials to discuss considerations involved in the proposed Bonn move. Mr. McCloy reserved final decision pending further study of the situation.

November 14, 1950: Mr. Wolfe summarized the discussion of the November 8 meeting in a memorandum to Mr. McCloy.

November 21, 1950: Mr. Wolfe wrote a memorandum for the record indicating that Mr. McCloy had determined that competent German, British, and French authorities had no objection to the proposed move and had instructed Mr. Wolfe to proceed according to plans outlined at the November 8 meeting.

November 21, 1950: Cable No. 4271 from HICOG to the Department of State advising the Bonn move was being favorably considered, summarizing plans and asking for the Department's reaction.

December 1, 1950: Cable No. 3972 from the Department of State to HICOG approving the move to Bonn and indicating that the proposal had been discussed informally with the Bureau of the Budget and the Economic Cooperation Administration. ECA concurred subject to the concurrence of the Office of the Special Representative in Paris.

December 6, 1950: Memorandum from S. Houston Lay, of the Legal Advice Division, HICOG, to Mr. Wolfe, giving the opinion that HICOG had legal authority to use GARIOA funds for American construction.

December 21, 1950: Cable No. 5207 from HICOG to the Department of State directed to the attention of Messrs. Kimball and King referring to a telephone conversation between Mr. Wolfe and Messrs. Kimball and King. HICOG advised it would proceed with plans to obtain the necessary property in the Bonn area and would forward site layouts, prices, and other data when sales were concluded together with plans and contracts for American and German housing, commissary, PX, school, warehouse, chapel, and related buildings as they were concluded.

December 22, 1950: Cable No. 4461 from the Department of State to HICOG granting authority to negotiate for purchase of sites for residences, office buildings, apartments, and related buildings as had been discussed with Mr. Larkin. The Department asked that firm offers and estimates be submitted for consideration

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and indicated that payments would be made from GARIOA funds previously authorized for occupation housing purposes. (N. B.—The conflict over the degree of authority given HICOG as evidenced by cable 5207 and cable 4461 was apparently resolved in favor of granting blanket authority to HICOG. No written record was located to confirm this conclusion.)

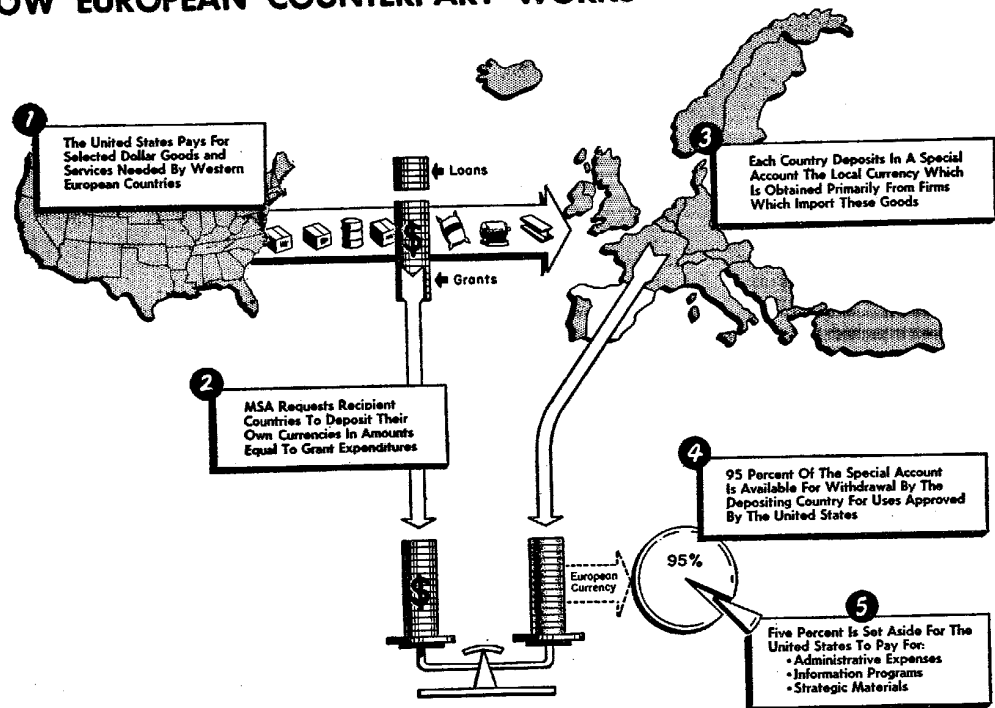
January 2, 1951: Mr. McCloy announced that HICOG would move from Frankfurt to the Bonn enclave.

February 15, 1951: Ground broken for American apartment housing.

November 1, 1951: Construction of apartments for American personnel completed.

November 5-29, 1951: Employees moved from Frankfurt to Bonn.

APPENDIX B
EUROPEAN COUNTERPART FUNDS
HOW EUROPEAN COUNTERPART WORKS



- 1 The Mutual Security Act of 1952 increased the portion reserved for use by the United States to not less than 10 percent for funds obligated after June 19, 1952.

DIVISION OF STATISTICS & REPORTS
MUTUAL SECURITY AGENCY
JUNE 6, 1952